

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Twin County Airport Commission	County Menominee
Fiscal Year End 9/30/06	Opinion Date 1/26/07	Date Audit Report Submitted to State 3/13/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111	
Street Address 901 Ludington Street		City Escanaba	State MI
		Zip 49829	
Authorizing CPA Signature <i>Kevin C. Pascoe, CPA</i>		Printed Name Kevin C. Pascoe, CPA	License Number 1101026882

TWIN COUNTY AIRPORT COMMISSION

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
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INDEPENDENT AUDITOR'S REPORT

Members of the Twin County Airport Commission
Twin County Airport
Menominee, Michigan

We have audited the accompanying financial statements of the business-type activities, major fund information of the Twin County Airport Commission, as of and for the year ended September 30, 2006, which collectively comprise the Airport's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Twin County Airport Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities, and major fund information of the Twin County Airport Commission, as of September 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Twin County Airport Commission
Twin County Airport

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Twin County Airport Commission's basic financial statements. The schedule listed as supplementary are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Certified Public Accountants

January 26, 2007

TWIN COUNTY AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

The Twin County Airport Commission's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the Airport's financial activity; (c) identify changes in the Airport's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

Reporting the Airport Commission as a Whole

The statement of net assets and the statement of activities report information about the Airport as a whole and about its activities in a way that helps answer the question of whether the Airport as a whole is better off or worse off as of a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method, used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Airport's net assets and the changes in them. The reader can think of the Airport's net assets (the difference between assets and liabilities) as one way to measure the Airport's financial health or financial position. Over time, increases or decreases in the Airport's net assets are one indicator of whether its financial health is improving or deteriorating.

Reporting the Airport's Major Fund

Our analysis of the Airport's major fund follows. The Airport has only one fund, the general operations fund, in which all of the activities are accounted. The general operations fund is an enterprise fund type.

The Airport as a Whole

The Airport's net assets decreased approximately 1.5% from \$4.51 million to \$4.44 million for the year ended September 30, 2006. The net assets and change in net assets are summarized below.

Operating revenues were \$127,561 in 2006 compared with \$89,834 in 2005, an increase of \$37,727 or 42%, due mainly to increase in fuel sales. Gross profit from fuel sales increased \$36,217 or 76% between 2006 and 2005. Reasons for the increase in fuel sales is directly the result of increased fuel usage in 2006. The price of 100LL fuel at year-end of 2006 was \$2.91 per gallon compared with \$2.96 at year-end of 2005, a decrease of 1.6%. The price of Jet fuel at year-end of 2006 was \$2.87 per gallon compared with \$2.60 at year-end 2005, an increase of 10%. The increasing fuel prices also resulted in increased gross fuel sales during 2006 compared with 2005.

Management's Discussion and Analysis (continued)

Non-operating revenues (net of non-operating expenses) were \$175,624 in 2006 compared with \$560,455 in 2005, a decrease of \$384,831 or 75%, due to a decrease in state and federal capital grant revenue in the amount of \$0 compared to \$394,473 in 2005, a decrease of \$394,473 or 100%.

Operating expenses were \$384,287 during the fiscal year 2006 compared with \$471,166 in 2005, a decrease of \$76,693 or 16%. The Airport experienced operating expenses comparable with 2005, with the exception to depreciation expense, where the Airport experienced a decrease of \$103,728 or 43% in depreciation expense compared with 2005. This significant decline in depreciation was a result of a major runway project becoming fully depreciated in late 2005.

Net assets as of the year ended September 30, 2006 and 2005 are as follows:

	<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 160,501	\$ 104,511
Capital Assets (net of depreciation)	<u>4,329,842</u>	<u>4,451,051</u>
Total Assets	<u>\$ 4,490,343</u>	<u>\$ 4,555,562</u>
Current Liabilities	\$ 36,706	\$ 27,616
Long-term Liabilities	<u>12,070</u>	<u>13,124</u>
Total Liabilities	<u>\$ 48,776</u>	<u>\$ 40,740</u>
Net Assets:		
Invested in Capital Assets	\$ 4,329,842	\$ 4,451,051
Unrestricted	<u>111,725</u>	<u>63,771</u>
Total Net Assets	<u>\$ 4,441,567</u>	<u>\$ 4,514,822</u>

A summary of changes in net assets for the year ended September 30, 2006 and 2005 are as follows:

	<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 127,561	\$ 89,834
Operating expenses	<u>384,287</u>	<u>471,166</u>
Operating Loss	(256,726)	(381,332)
Non-operating revenues	175,624	560,455
Non-operating expenses	<u>-</u>	<u>-</u>
Increase in Net Assets	<u>\$ (81,102)</u>	<u>\$ 179,123</u>

Management's Discussion and Analysis (continued)

Budgetary Highlights

Prior to the beginning of any year, the Airport's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Airport Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes expenditures throughout the year.

Actual operating revenue was higher than originally budgeted by the amount of \$84,561 as a result of fuel sales increasing more than expected.

Actual operating expenses were higher than originally budgeted by the amount of \$150,631, due to the Airport not budgeting for depreciation expense during the fiscal year. Actual depreciation during fiscal year 2006 amounted to \$138,256.

Capital Asset and Debt Administration

Capital Assets - As of September 30, 2006, the Airport has \$4,329,842 invested in capital assets as follows:

Capital Assets Not Being Depreciated:	
Land	\$ 2,678,515
Other Capital Assets:	
Land improvements - infrastructure	7,618,507
Buildings	395,698
Equipment	491,743
Office equipment	6,222
Vehicles	<u>45,849</u>
Total Capital Assets at Historic Cost	<u>11,236,534</u>
Total Accumulated Depreciation	<u>(6,906,692)</u>
Total Net Capital Assets	<u>\$ 4,329,842</u>

Debt - The Airport has long-term liabilities in the amount of \$12,070, which represents the non-current portion of compensated absences.

Economic Factors and Next Year's Budget

The Airport expects economic factors in 2007 to be comparable with those experienced in 2006. In addition, the Airport is expecting federal and state funding for design and construction of animal control and security fencing and apron strengthening and crack sealing project estimated at a total cost of \$700,000. The expected funding of federal funds is \$560,000 with state funds of \$122,500, and local funds amounting to \$17,500 for each county.

Contacting the Airport Commission's Financial Management

This financial report is designed to provide the public, citizens and other interested parties, a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Twin County Airport Commission's administrative offices at 2801 North 22nd Street, Menominee, Michigan 49858.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF NET ASSETS

September 30, 2006

ASSETS

CURRENT ASSETS:

Cash and equivalents	\$ 76,940
Accounts receivable	46,387
Inventory	29,664
Prepaid expenses	<u>7,510</u>

TOTAL CURRENT ASSETS	<u>160,501</u>
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CAPITAL ASSETS

	11,236,534
Less accumulated depreciation	<u>(6,906,692)</u>

NET CAPITAL ASSETS	<u>4,329,842</u>
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TOTAL ASSETS	<u>\$ 4,490,343</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 27,122
Accrued payroll and benefits	1,479
Accrued sales tax	4,082
Compensated absences	<u>4,023</u>

TOTAL CURRENT LIABILITIES	<u>36,706</u>
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NON-CURRENT LIABILITIES:

Compensated absences	<u>12,070</u>
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TOTAL NON-CURRENT LIABILITIES	<u>12,070</u>
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TOTAL LIABILITIES	<u>48,776</u>
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NET ASSETS:

Invested in capital assets	4,329,842
Unrestricted	<u>111,725</u>

TOTAL NET ASSETS	<u>4,441,567</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,490,343</u>
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See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF ACTIVITIES

For the year ended September 30, 2006

OPERATING REVENUES:

Fuel:	
Sales	\$ 297,372
Cost of sales	<u>(213,380)</u>

GROSS PROFIT 83,992

Rental income	28,095
Landing fees	3,982
Service/handling fees	4,738
Consumables (oil, etc.)	3,074
Other	<u>3,680</u>

TOTAL OPERATING REVENUES 127,561

OPERATING EXPENSES:

Salaries and wages	112,381
Social security	8,732
Health insurance	36,625
Office supplies	1,729
Equipment fuel	7,026
Professional services	5,194
Dues and licenses	1,593
Telephone	2,225
Travel	1,808
Insurance	24,885
Utilities	21,787
Maintenance - equipment	7,809
Maintenance - building and grounds	6,106
Marketing	7,078
Depreciation	138,256
Office expense	<u>1,053</u>

TOTAL OPERATING EXPENSES 384,287

OPERATING INCOME (LOSS) (256,726)

NON-OPERATING REVENUES (EXPENSES):

Appropriations:	
Marinette County	86,241
Menominee County	86,241
Interest income	<u>3,142</u>

TOTAL NON-OPERATING REVENUES 175,624

NET INCOME (LOSS) (81,102)

Net assets, beginning of year, as previously reported 4,514,822

Prior period adjustment (see note F) 7,847

Net assets, beginning of year, as adjusted 4,522,669

NET ASSETS, END OF YEAR \$4,441,567

See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

For the year ended September 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 321,726
Cash payments to employees for services	(158,098)
Cash payments to suppliers for goods and services	<u>(297,718)</u>

NET CASH (USED) BY OPERATING ACTIVITIES	<u>(134,090)</u>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Appropriations	<u>172,482</u>
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Payments for capital acquisitions	<u>(17,047)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts of interest	<u>3,142</u>
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NET (DECREASE) IN CASH AND EQUIVALENTS	24,487
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CASH AND EQUIVALENTS, beginning of year	<u>52,453</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 76,940</u>
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RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES:

Operating loss	(256,726)
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Adjustments to reconcile operating loss to
net cash used by operating activities:

Depreciation	138,256
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Changes in assets and liabilities:

(Increase) decrease in receivables	(19,215)
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(Increase) decrease in inventory	(4,375)
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(Increase) decrease in prepaid expenses	(66)
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Increase (decrease) in accounts payable	7,280
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Increase (decrease) in accrued payroll and benefits	(360)
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Increase (decrease) in other accrued liabilities	<u>1,116</u>
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NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (134,090)</u>
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See accompanying notes to financial statements.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Menominee-Marinette Twin County Airport (the "Airport") is a joint venture formed on September 15, 1975 by written agreement between the County of Marinette, Wisconsin and the County of Menominee, Michigan. The agreement specifies that the Airport will be managed by a Twin County Airport Commission composed of six members with three appointed by each of the respective County Boards. The joint venture was formed to operate the airport formerly known as the "Menominee County Airport." The following is a summary of the more significant policies:

(1) Fund Accounting - The Airport operates as an Enterprise Fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Airport applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

(2) Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. When both restricted and unrestricted resources are available for use, it is the Airport Commission's policy to use restricted first, then unrestricted resources as they are needed.

(3) Cash and Equivalents - Cash and equivalents include change funds, un-deposited funds, and amounts held in demand accounts by the Airport and by the Treasurer of Menominee County.

(4) Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Airport has not recorded an allowance for uncollectibles as the Airport does not anticipate any material uncollectible accounts.

(5) Inventory - Inventory consists of aircraft fuel held for resale. It is valued at cost using the first-in, first-out method.

(6) Prepaid Expenses - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(7) Capital Assets - For financial reporting purposes the Airport, an enterprise fund, capitalizes fixed asset acquisition and construction costs and classifies those costs as "capital assets" on the Statement of Net Assets. These capitalized costs are then recorded as expenses of the fund through depreciation over the estimated useful lives of the particular assets, primarily on the straight-line basis.

Marinette County and Menominee County each have an undivided one-half interest in all property and equipment acquired since formation of the joint venture. Infrastructure and other airport related assets that are the property of the counties are included in the basic financial statements of the Airport as required within the implementation of GASB 34, and has retrospectively reported the infrastructure assets in the statement of net assets

(8) Compensated Absences - Airport policy allows employees to accumulate unused sick and vacation hours. Employee shall receive payment for 50% of all accrued sick leave earned, to a maximum of 45 days sick leave upon leaving employment of the Airport in good standing.

(9) Income Taxes - The Airport is a governmental entity and is exempt from federal and state income taxes.

(10) Charges for Services - The amounts charged for services, rental and sales of aircraft fuel are set by the Twin County Airport Commission.

(11) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the Statement of Net Assets is presented below:

Financial statement presentation:	
Cash and equivalents:	
Unrestricted	<u>\$ 76,940</u>
Composition of balances:	
Imprest Cash	\$ 89
Deposits:	
Checking Accounts	<u>76,851</u>
TOTAL	<u>\$ 76,940</u>

Cash and cash equivalents consist solely of checking and saving account deposits and petty cash.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE B - CASH AND EQUIVALENTS (continued)

Michigan statutes authorize the Airport to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Airport carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of September 30, 2006, the Airport did not hold any commercial paper.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure the Airport's deposits may not be returned. At September 30, 2006, the Airport held \$98,947 in a checking account. Of this amount, \$0 was uninsured and uncollateralized.

Concentration of Credit Risk. The Airport has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Airport has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Airport are in accordance with statutory authority.

NOTE C - CAPITAL ASSETS

Following are the details of recorded capital assets together with the related accumulated depreciation as of September 30, 2006:

	<u>9/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/06</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,678,515	\$ -	\$ -	\$ 2,678,515
Other Capital Assets:				
Land improvements and infrastructure	7,618,507	-	-	7,618,507
Buildings	395,698	-	-	395,698
Equipment	478,208	13,535	-	491,743
Office equipment	6,010	212	-	6,222
Vehicles	42,549	3,300	-	45,849
	<u>11,219,487</u>	<u>17,047</u>	<u>-</u>	<u>11,236,534</u>
Less accumulated depreciation	<u>(6,768,436)</u>	<u>(138,256)</u>	<u>-</u>	<u>(6,906,692)</u>
UNDEPRECIATED COST	<u>\$ 4,451,051</u>	<u>\$ (121,209)</u>	<u>\$ -</u>	<u>\$ 4,329,842</u>

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE C - CAPITAL ASSETS (continued)

Total capital asset additions for 2006 were \$17,047. There were no disposals of capital assets during 2006.

Useful lives of capital assets are as follows:

Land improvements & infrastructure	10-20 years
Buildings	10-25 years
Equipment	5-25 years
Office equipment	5- 7 years
Vehicles	5-10 years

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Depreciation expense was \$138,256 for the fiscal year.

NOTE D - PENSION PLAN

The employees of the Menominee-Marinette Twin County Airport are treated as employees of Menominee County. All full-time Airport employees are covered by a municipal employee retirement system in which Menominee County participates in a defined benefit plan. Pension plan contributions for 2006 were \$0 as a result of the plan being over funded by \$197,640 or 123%, as valuation of assets were \$1,071,501 and accrued liabilities were \$873,861 as of the valuation date of December 31, 2005. Total wages for 2006 were \$112,381.

The contribution rate on participating wages is determined annually by independent consulting actuaries in accordance with Michigan Statutes. Other information on retirement commitments appears in Menominee County's annual financial report.

NOTE E - COMPENSATED ABSENCES

Changes in accumulated compensated absences is as follows:

	<u>9/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/06</u>
Vacation	\$ 5,276	\$ -	\$ 635	\$ 4,641
Sick	<u>12,222</u>	<u>-</u>	<u>770</u>	<u>11,452</u>
TOTAL	<u>\$17,498</u>	<u>\$ -</u>	<u>\$ 1,405</u>	<u>\$16,093</u>

NOTE F - PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$7,847 was made to the beginning balance of net assets in order to reflect an accounts receivable due from Marinette County for their share of a rehab appropriation on an apron and taxiway project in fiscal year 2005.

TWIN COUNTY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE G - COMMITMENTS AND CONTINGENCIES

The Airport has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Airport. In the opinion of management, any such disallowed claims may have a material effect on any of the financial statements included here-in or on the overall financial position of the Airport at September 30, 2006, however, management is unaware of any such claims.

NOTE H - RISK MANAGEMENT

The Airport is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Airport has purchased commercial insurance relating to medical benefit claims, general liability, auto, business package, pollution/storage tank and workers compensation.

At September 30, 2006, the County had no outstanding claims, which exceeded the plan's limits for the past three years and there has been no significant reduction in insurance coverage from the prior year.

SUPPLEMENTAL INFORMATION

TWIN COUNTY AIRPORT COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
NET ASSETS - BUDGET AND ACTUAL**

For the year ended September 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES:				
Fuel:				
Sales	\$ 139,760	\$ 140,000	\$ 297,372	\$ 157,372
Cost of sales	<u>(86,500)</u>	<u>(135,000)</u>	<u>(213,380)</u>	<u>(78,380)</u>
GROSS PROFIT	53,260	5,000	83,992	78,992
Rental income	26,000	28,000	28,095	95
Landing fees	2,500	2,500	3,982	1,482
Service/handling fees	2,500	2,500	4,738	2,238
Consumables (oil, etc.)	1,300	3,000	3,074	74
Other	<u>5,000</u>	<u>2,000</u>	<u>3,680</u>	<u>1,680</u>
TOTAL OPERATING REVENUES	<u>90,560</u>	<u>43,000</u>	<u>127,561</u>	<u>84,561</u>
OPERATING EXPENSES:				
Salaries and wages	113,000	115,000	112,381	2,619
Social security	10,000	9,256	8,732	524
Health insurance	38,000	38,000	36,625	1,375
Office supplies	1,400	2,000	1,729	271
Equipment fuel	5,000	5,400	7,026	(1,626)
Professional services	5,100	5,500	5,194	306
Dues and licenses	600	400	1,593	(1,193)
Telephone	2,000	2,300	2,225	75
Travel	5,500	4,000	1,808	2,192
Insurance	24,000	24,000	24,885	(885)
Utilities	19,000	19,000	21,787	(2,787)
Maintenance - equipment	4,000	3,000	7,809	(4,809)
Maintenance - building and grounds	22,000	3,000	6,106	(3,106)
Marketing	2,000	2,000	7,078	(5,078)
Depreciation	-	-	138,256	(138,256)
Office expense	<u>800</u>	<u>800</u>	<u>1,053</u>	<u>(253)</u>
TOTAL OPERATING EXPENSES	<u>252,400</u>	<u>233,656</u>	<u>384,287</u>	<u>(150,631)</u>
OPERATING INCOME (LOSS)	<u>(161,840)</u>	<u>(190,656)</u>	<u>(256,726)</u>	<u>(66,070)</u>
NON-OPERATING REVENUES (EXPENSES):				
Appropriations:				
Marinette County	96,998	92,878	86,241	(6,637)
Menominee County	96,998	92,878	86,241	(6,637)
Interest income	1,000	2,500	3,142	642
Other	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>(2,400)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>194,976</u>	<u>190,656</u>	<u>175,624</u>	<u>(15,032)</u>
NEW INCOME (LOSS)	<u>\$ 33,136</u>	<u>\$ -</u>	<u>(81,102)</u>	<u>\$ (81,102)</u>
Net assets, beginning of year, as adjusted (see Note F)			<u>4,522,669</u>	
NET ASSETS, END OF YEAR			<u>\$4,441,567</u>	

See accompanying notes to financial statements.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

REPORT TO MANAGEMENT

Members of the Twin County Airport Commission
Twin County Airport
Menominee, MI 49858

Audit Committee Communications

We have audited the financial statements of the Twin County Airport Commission for the year ended September 30, 2006, and have issued our report thereon dated January 26, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 10, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Twin County Airport Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Twin County Airport Commission are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the Twin County Airport Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were the useful lives of fixed assets.

Members of the Twin County Airport Commission
Twin County Airport

Management's estimate of the useful lives of fixed assets is based on management's experience with past useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Twin County Airport Commission's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Twin County Airport Commission, either individually or in the aggregate, indicate matters that could have a significant effect on the Twin County Airport Commission's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Twin County Airport Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

In planning and performing our audit of the basic financial statements of the Twin County Airport Commission, for the year ended September 30, 2006, we considered the Airport's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

Members of the Twin County Airport Commission
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However, during our audit, we became aware of an opportunity for strengthening the budgeting process. The memorandum that accompanies this letter summarizes our comment and recommendation regarding this matter. This letter does not affect our report dated January 26, 2007, on the financial statements of the Twin County Airport Commission.

This information is intended solely for the use of the Twin County Airport Commission and management of the Twin County Airport and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

January 26, 2007

TWIN COUNTY AIRPORT COMMISSION

COMMENTS AND RECOMMENDATIONS

September 30, 2006

DEPRECIATION EXPENSE

Comment:

Depreciation expense is not being budgeted on the Airport's budget.

Recommendation:

We recommend the Twin County Airport Commission budget annually for estimated depreciation expense in order to have the budget more accurately reflect the operations of the Airport.